


Financial review



Further progress in both First Bus and First Rail has resulted in a material increase in our adjusted earnings per share, from 11.6p in FY 2023 to 16.7p in FY 2024. 

Ryan Mangold
Chief Financial Officer



Capital allocation guidance

Investment	<ul style="list-style-type: none"> Group: interest of £50-55m, includes DfT TOCs interest of c.£40m First Bus: c.£120m net cash capex for FY 2025, mostly on electrification; includes estimated capex saving of c.£15m from the Hitachi joint venture; we continue to evaluate a pipeline of inorganic growth, franchising and partnership opportunities First Rail: continues to be cash capital-light, with any capital expenditure required by the management fee-based operations fully funded under the new contracts; business development and open access costs of £5-10m are anticipated in FY 2025
Growth	<ul style="list-style-type: none"> Actively reviewing adjacent organic and inorganic opportunities where this creates value for shareholders and exceeds the Group's cost of capital
Returns for shareholders	<ul style="list-style-type: none"> Progressive dividend policy c.3x cover of Group adjusted earnings; paid c.1/3 interim and 2/3 final dividend Final dividend of 4.0p per share proposed, subject to shareholder approval Subject to growth investment, balance sheet flexibility may allow for additional shareholder returns
Balance sheet	<ul style="list-style-type: none"> Less than 2.0x Adjusted Net Debt: rail management fee-adjusted EBITDA target in the medium term FY 2025 year end adjusted net cash of £40-50m before any inorganic growth capital deployment

	53 weeks to 30 March 2024			52 weeks to 25 March 2023		
	Revenue £m	Adjusted operating profit ¹ £m	Adjusted operating margin ¹ %	Revenue £m	Adjusted operating profit ¹ £m	Adjusted operating margin ¹ %
First Bus	1,012.2	83.6	8.3	902.5	58.4	6.5
First Rail	3,738.4	143.3	3.8	3,893.2	124.8	3.2
Group items/eliminations ²	(35.5)	(22.6)		(40.7)	(22.2)	
Continuing operations	4,715.1	204.3	4.3	4,755.0	161.0	3.4
Discontinued operations ³	-	(1.9)	n/a	4.0	(6.6)	n/a
Total	4,715.1	202.4	4.3	4,759.0	154.4	3.2

- 'Adjusted' figures throughout this document are before adjusting items as set out in note 4 to the financial statements. The statutory operating profit including discontinued operations for the year was £41.2m (FY 2023: £185.2m) as set out in note 5.
- Includes elimination of intra-group trading between Bus and Rail divisions, central management and other items.
- Discontinued operations relates to the Group's residual Greyhound US activities.

Revenue

Revenue from continuing operations decreased marginally to £4,715.1m (FY 2023: £4,755.0m). The Group saw strong performance in First Bus and the open access Rail business, as well as growth in the DfT TOCs although this was offset by the impact of the non-renewal of the TransPennine Express NRC at the end of May 2023. The Group also benefited from an extra week of trading in FY 2024 at First Bus.

Adjusted operating performance

Adjusted operating profit from continuing operations was £204.3m (FY 2023: £161.0m). First Bus benefited from increased passenger volumes, improved driver availability and data-led operational and commercial improvements, which more than offset ongoing inflationary pressures and lower funding levels. In First Rail, open access operations performed strongly underpinned by strong demand and effective yield management more than offsetting inflationary pressures. The DfT TOC business was ahead of expectations owing to higher than accrued final variable fee awards for FY 2023.

Central costs were in line with the prior year at £(22.6)m. The net impact to operating profit of IFRS 16 in the year was £47.7m (FY 2023: £41.9m), with the increase driven mainly by the award of the GWR NRC and the related rolling stock leases.

Adjusted earnings from continuing operations were £110.7m (FY 2023: £85.6m), driven by stronger adjusted operating profit performance across the business, partly offset by a higher taxation charge as a result of the increase in the corporation tax rate.

Financial review continued

	53 weeks to 30 March 2024 Adjusted earnings £m	52 weeks to 25 March 2023 Adjusted earnings £m
First Bus adjusted operating profit	83.6	58.4
First Rail adjusted operating profit	143.3	124.8
Group central costs (operating profit basis)	(22.6)	(22.2)
Group adjusted operating profit	204.3	161.0
Interest	(65.3)	(56.8)
Profit before tax	139.0	104.2
IFRS 16 DfT contracted TOCs adjustment ¹	10.2	6.9
Taxation	(32.0)	(20.4)
Non-controlling interest	(6.5)	(5.1)
Group adjusted earnings¹	110.7	85.6

¹ The Group has revised its definition of adjusted earnings, to also exclude the impact of IFRS 16 depreciation and interest charges in relation to its First Rail – DfT contracted TOCs operations, given the Group takes no cost risk on these rolling stock leases. The prior year comparatives have also been updated for the revised definition. There has been no other change to the calculation, or to the Group's policy regarding adjusting items.

The Group's EBITDA adjusted for First Rail management fees performance measure also increased materially year-on-year and is calculated as follows:

	53 weeks to 30 March 2024 £m	52 weeks to 25 March 2023 £m
First Bus EBITDA ¹	132.5	105.0
Attributable net income from First Rail DfT contracted TOCs ²	39.5	38.7
First Rail – Open Access and Additional Services EBITDA ¹	37.6	32.5
Group central costs (EBITDA basis ¹)	(21.8)	(21.2)
Group EBITDA adjusted for First Rail DfT contracted TOCs' management fees	187.8	155.0

¹ IAS 17 basis.

² A reconciliation to the segmental disclosures is set out in note 4.

Reconciliation to non-GAAP measures and performance

Note 4 to the financial statements sets out the reconciliations of operating profit/(loss) and profit/(loss) before tax to their adjusted equivalents.

The principal adjusting items in the year are as follows:

First Bus pension settlement charge and related items

In September 2023, First Bus concluded a period of consultation with regards to its two Local Government Pension Schemes and subsequently terminated its participation in these funds on 31 October 2023, with affected employees enrolled into the First Bus Retirement Savings Plan. Adjusting charges of £146.9m were recognised in the period for the settlement charge and related

termination costs. A gain of £161.0m was recognised in Other comprehensive income in relation to the restricted accounting surplus.

Legal claims in North America and the UK

The Group has recognised legal provisions relating to claims in North America and the UK.

Adjusting items – discontinued operations were:

First Transit earnout

The final valuation of the First Transit earnout contingent consideration receivable was agreed and settled during the year, with the Group receiving cash of \$83.8m (£65.3m). The Group incurred an adjusting charge of £2.3m, reflecting the hedging of the cash receipt, translation of the US dollar asset into pounds sterling before settlement, partially offsetting the write-off of the residual asset on settlement.

In the prior year, the principal adjusting items in relation to the continuing business were as follows:

First Bus restructuring

As part of the restructuring of the First Bus division to exit loss-making markets and to align networks with post-pandemic demand, the Group completed the sale of its First Scotland East business in September 2022, realising a loss on disposal of £(3.7)m, and closed the Southampton depot resulting in closure costs and a release of prior impairment for a net credit of £2.3m. In line with this transition plan, the Group also incurred costs of £(5.6)m relating to surplus vehicle write-downs and other reorganisation charges in the division.

Strategic items

A final net credit of £1.4m was recognised, being costs incurred in relation to the Group's central functions as part of its ongoing cost efficiency initiatives following the exit from North America, offset by the release of accruals following the disposal of North America and the execution of the strategy.

Greyhound Canada

Net restructuring and closure costs of £(1.5)m relating to the continued winding down of Greyhound Canada operations were incurred during the prior year.

Adjusting items – discontinued operations were:

First Transit earnout

Following the announcement on 26 October 2022 of EQT Infrastructure's agreement to sell First Transit to Transdev North America, Inc., in the prior year the Group estimated its earnout consideration to be around \$88.5m (£72.3m) based on the information received on the sale by EQT. This gave rise to a non-cash, adjusting charge of £33.8m relative to the carrying value of the earnout of £106.1m as at 26 March 2022.

Gain on disposal of properties

A gain of £71.4m arose on the completion of the sale of the majority of the remaining Greyhound US properties in December 2022.

Financial review continued

Group statutory operating profit

Statutory operating profit from continuing operations was £46.5m (FY 2023: £153.9m) with the positive underlying business performance being offset by the £146.9m charge recognised as a result of the termination of participation of the Local Government Pension Schemes at First Bus with an offsetting £161.0m gain in the Condensed Consolidated Statement of Comprehensive Income.

Finance costs and investment income

Net finance costs from continuing operations were £65.3m (FY 2023: £56.8m) with the increase principally due to IFRS 16 interest costs which were £62.1m (FY 2023: £50.6m), mainly arising in First Rail.

Profit before tax

Statutory loss before tax was £(18.8)m (FY 2023: profit before tax of £97.1m), after the Local Government Pension Scheme (LGPS) pension settlement and related charges. Adjusted profit before tax as set out in note 4 to the financial statements was £136.8m (FY 2023: £97.9m) including discontinued operations.

Tax

The tax charge, on adjusted profit before tax on continuing operations for the year was £32.0m (FY 2023: £20.4m), representing an effective tax rate of 23.0% (FY 2023: 19.6%). The rate has increased in the current year because of an increase in the underlying corporation tax rate in the UK. There was a tax and remeasurement of tax losses. The total tax credit, including tax on discontinued operations, was £15.0m (FY 2023: charge of £33.4m). The actual tax paid during the year was £2.2m (FY 2023: £1.0m).

The ongoing Group's effective tax rate is expected to be broadly in line with UK corporation tax levels being 25%.

Adjusted cash flow

The Group's adjusted cash flow of £(167.7)m (FY 2023: £28.0m) in the year reflects positive cash flow from operations of £626.6m (FY 2023: £644.8m) including the net receipt from terminating participation in the Local Government Pension Schemes in First Bus, First Transit earnout proceeds and proceeds from the disposal of property, plant and equipment. This is offset by net capital invested in the business, mainly in decarbonisation in First Bus and acquisitions, as well as the repayment of lease liabilities, dividends paid and purchases of shares under the share buyback programme. The adjusted cash flow is set out below:

	53 weeks to 30 March 2024 £m	52 weeks to 25 March 2023 £m
EBITDA	585.6	755.8
Other non-cash income statement charges	13.7	10.9
Working capital	(106.1)	(101.3)
Movement in other provisions	(27.9)	(33.0)
Increase in financial assets/contingent consideration receivable	23.7	–
Settlement of foreign exchange hedge	(1.1)	(1.2)
Pension inflow in excess of income statement charge/LGPS refund	138.7	13.6
Cash generated by operations	626.6	644.8
Capital expenditure and acquisitions	(236.0)	(208.5)
Proceeds from disposal of property, plant and equipment	42.8	147.8
Proceeds from capital grant funding	94.8	144.2
Proceeds from contingent consideration	65.3	–
Net proceeds from disposal of businesses	–	2.0
Interest and tax	(67.6)	(64.6)
Shares purchased for Employee Benefit Trust	(16.5)	(15.3)
Share repurchases from buyback programme including costs	(117.6)	(31.6)
External dividends paid	(29.5)	(14.7)
Dividends paid to non-controlling shareholders	(6.5)	(5.1)
Settlement of foreign exchange hedge	4.1	(12.5)
Fees for finance facilities	(1.4)	–
Lease payments now in debt	(526.2)	(557.5)
Adjusted cash flow	(167.7)	28.0
Foreign exchange movements	3.4	(4.0)
Net (inception)/termination of leases	(237.5)	(1,231.8)
Lease payments now in debt	526.2	557.5
Other non-cash movements	(0.1)	0.2
Movement in net debt in the period	124.3	(650.1)

Financial review continued

EPS

Total adjusted EPS from continuing operations was 16.7p (FY 2023: 11.6p). Basic EPS was (2.4)p (FY 2023: 11.8p).

Shares in issue

As at 30 March 2024, there were 625.4m shares in issue (FY 2023: 707.8m), excluding treasury shares and own shares held in trust for employees of 125.3m (FY 2023: 42.8m). The weighted average number of shares in issue for the purpose of basic EPS calculations (excluding treasury shares and own shares held in trust for employees) in the year was 662.9m (FY 2023: 739.5m).

Dividend

The Board is proposing that a final dividend of 4.0p per share, resulting in a total dividend payment of c.£24.3m, be paid on 23 August 2024 to shareholders on the register at 19 July 2024, subject to approval of shareholders at the 2024 AGM.

Capital expenditure

Non-First Rail capital expenditure was £201.1m (FY 2023: £151.2m), comprising First Bus £200.8m and Group items £0.3m (FY 2023: First Bus £120.3m and Group items £1.0m). In the year, the First Bus average fleet age was 9.0 years (FY 2023: 9.1 years) reflecting continued investment in the fleet, mainly on electric vehicles and related infrastructure. First Rail capital expenditure was £45.5m (FY 2023: £56.7m) and is typically matched by receipts from the DfT under current contractual arrangements or other funding.

During the year asset-backed financial liabilities were entered into leases in First Bus of £22.1m (FY 2023: £19.3m). Through the investment in the strategic joint venture with Hitachi Zero Carbon, £13.2m of battery leases have been recognised through the sale and leaseback arrangements for 257 batteries.

In addition, during the year the Group entered into leases with a right of use value of £222.5m comprising First Rail £192.6m, First Bus £27.2m and Group items £2.7m (FY 2023: £1,219.0m, comprising First Rail £1,213.8m, First Bus £4.2m and Group items £1.0m)).

Gross capital investment (fixed asset and software additions plus rights of use asset additions) was £443.5m (FY 2023: £1,426.9m) and comprised First Bus £208.2m, First Rail £232.6m and Group items £2.7m (FY 2023: First Bus £154.3m, First Rail £1,270.5m and Group items £2.1m). The balance between cash capital expenditure and gross capital investment represents new leases, creditor movements and the recognition of additional right of use assets in the year.

Net cash/(debt)

The Group's adjusted net cash as at 30 March 2024, which excludes IFRS 16 lease liabilities and ring-fenced cash was £64.1m (FY 2023: adjusted net cash of £109.9m). Reported net debt was £(1,144.8)m (FY 2023: reported net debt of £(1,269.1)m) after IFRS 16 and including ring-fenced cash of £249.6m (FY 2023: £369.6m), as follows:

	30 March 2024	25 March 2023
	Total Group £m	Total Group £m
Analysis of net (cash)/debt		
Sterling bond (2024)	96.2	184.2
Bank loans and overdrafts	27.8	82.9
Lease liabilities	1,458.5	1,748.6
Asset backed financial liabilities	45.6	44.2
NextGen (Hitachi JV) facility	13.2	–
Loan notes	–	0.6
Gross debt excluding accrued interest	1,641.3	2,060.5
Cash	(246.9)	(421.8)
First Rail ring-fenced cash and deposits	(245.6)	(364.2)
Other ring-fenced cash and deposits	(4.0)	(5.4)
Net debt excluding accrued interest	1,144.8	1,269.1
IFRS 16 lease liabilities – rail	1,408.9	1,711.2
IFRS 16 lease liabilities – non-rail	49.6	37.4
IFRS 16 lease liabilities – total	1,458.5	1,748.6
Net cash excluding accrued interest (pre-IFRS 16)	(313.7)	(479.5)
Adjusted net cash (pre-IFRS 16 and excluding ring-fenced cash)	(64.1)	(109.9)

Financial review continued

Funding

As at the year end, the Group had £300.0m of undrawn committed borrowing available under its Revolving Credit Facility ('RCF'). In addition, there was £129.8m (FY 2023: £nil) of committed headroom available under the Green Hire Purchase Finance Facility and £54.9m available under the NextGen Battery (Hitachi JV) facility. Total undrawn bank borrowing facilities at year end stood at £501.0m (FY 2023: £316.5m) of which £484.7m (FY 2023: £300.0m) was committed and £16.3m (FY 2023: £16.5m) was uncommitted over and above the £246.9m of cash balances.

Under the terms of the First Rail contractual agreements with the DfT, cash can only be distributed by the TOCs either up to the lower amount of their retained profits or the amount determined by prescribed liquidity ratios. £38.2m has been paid in dividends from the TOCs after finalisation of their FY 2023 statutory accounts to the Group during the year. The ring-fenced cash represents that which is not available for distribution, or the amount required to satisfy the liquidity ratio at the balance sheet date.

Interest rate risk

Exposure to floating interest rates is managed to ensure that at least 50% (but at no time more than 100%) of the Group's pre-IFRS 16 gross debt is fixed rate for the medium term.

Based on the current adjusted net debt profile, the variable rate RCF is undrawn with only finance leases and the 2024 6.875% £96.2m fixed rate bond outstanding.

Fuel and electricity price risk

We use a progressive forward hedging programme to manage commodity risk. As at June 2024, 76% of our 'at risk' UK crude requirement for FY 2025 (73.3m litres, which is all in First Bus) was hedged at an average rate of 51p per litre, and 41% of our requirements for the year to the end of March 2026 at 50p per litre. We also have an electricity hedge programme in place, with 78% of our consumption (based on current consumption forecasts) hedged for FY 2025 at £129/MWh and 55% for FY 2026 at £91/MWh.

Foreign currency risk

'Certain' and 'highly probable' foreign currency transaction exposures (including fuel purchases for the UK divisions) may be hedged at the time the exposure arises for up to two years at specified levels, or longer if there is a very high degree of certainty. The Group does not hedge the translation of earnings into the Group reporting currency (pounds Sterling) but accepts that reported Group earnings will fluctuate as exchange rates against pounds Sterling fluctuate for the currencies in which the Group does business, although this exposure is materially reduced following the sales of the North American divisions. During the year, the net cash generated in each currency may be converted by Group Treasury into pounds Sterling by way of spot transactions in order to keep the currency composition of net debt broadly constant.

Foreign exchange

The most significant exchange rates to pounds Sterling for the Group are as follows:

	30 March 2024		25 March 2023	
	Closing rate	Effective rate	Closing rate	Effective rate
US Dollar	1.26	1.26	1.22	1.11
Canadian Dollar	1.71	1.77	1.68	1.76

Pensions

We have updated our pension assumptions as at 30 March 2024 for the defined benefit schemes in the UK and North America. The net pension surplus of £27.8m at the beginning of the year moved to a net deficit of £25.3m at the end of the year.

At the beginning of the year, the balance sheet included an asset of £21.7m relating to the payment expected from the LGPS in Scotland. That payment, which in practice amounted to £23.1m, was duly received over the financial year. The remaining movement arose from asset performance that was insufficient to offset an increase in the value of liabilities due to a reduction in the discount rate. The main factors that influence the balance sheet liabilities for pensions and the principal sensitivities to their movement (excluding rail contracts and insurance liabilities) at 30 March 2024 are set out below:

	Movement	Impact
Discount rate	+1.0%	Decrease liabilities by £150m
Inflation	+0.5%	Increase liabilities by £59m
Life expectancy	+1 year	Increase liabilities by £38m

On 31 October 2023, following a consultation with affected employees, the Group terminated the participation of the relevant First Bus subsidiaries in the two Local Government Pension Schemes in which they were admitted bodies.

An expense of £146.9m was recognised in the year as an adjusting income statement item for the settlement charges and other related costs, with gains of £5.0m recognised in income for curtailment gains and £161.0m recognised in Other comprehensive income in relation to the restricted accounting surplus. Terminating the LGPS participation has resulted in an annualised saving of c.£2m included within the First Bus adjusted operating profit going forwards.

Financial review continued

During the year, the Limited Partnership created following the sale of the North American divisions returned £23.7m to the Bus Pension Scheme, linked to the £500m capital return in December 2021. The amounts held by the Limited Partnerships generated interest income of £5.7m during the period which partially offset the reduction in the value of the related financial asset on the Group's balance sheet, to £99.6m (FY23: £117.6m).

At legacy Greyhound, the Group bought out and settled c.\$75m (c.£62m) of Greyhound US pension liabilities, and in addition £153m of pension liabilities in Canada have been secured with an annuity buy-in.

The merger of the First Bus and FirstGroup pension schemes was completed after year end to drive further efficiencies. The Group Scheme triennial funding valuation as at 5 April 2024 (now comprising legacy Group and Bus pension obligations) has commenced and will be finalised in FY 2026. The valuation outcome will determine how the £77m currently held in the Bus Scheme Limited Partnership will be distributed, with the balance of £23m relating to the Group scheme to be determined based on the 2030 triennial valuation.

Balance sheet

Net assets have decreased by £109.1m since 25 March 2023. The principal reasons are the impact of the profit for the year, which is more than offset by the reduction in the pension surplus, as well as the share buyback programme.

	As at 30 March 2024 £m	As at 25 March 2023 £m
Balance sheets – Net assets/(liabilities)		
First Bus	580.2	511.9
First Rail	1,169.2	1,368.3
Greyhound	(24.7)	(21.8)
Divisional net assets	1,724.7	1,858.4
Group items	60.7	162.1
Net debt	(1,148.3)	(1,275.6)
Taxation	4.0	5.3
Greyhound – Held for sale	0.6	0.6
Total	641.7	750.8

Post-balance sheet events

The merger of the First Bus and FirstGroup pension schemes was completed on 31 May 2024.

Going concern

The Board carried out a review of the Group's financial projections for the 18 months to 30 September 2025 and evaluated whether it was appropriate to prepare the full year results on a going concern basis. In doing so the Board considered whether any material uncertainties exist that cast doubt on the Group's and the Company's ability to continue as a going concern over the going concern period.

Consistent with prior years, the Board's going concern assessment is based on a review of future trading projections, including whether banking covenants are likely to be met and whether there is sufficient committed facility headroom to accommodate future cash flows for the going concern period.

Divisional management teams prepared detailed, bottom-up projections for their businesses, including assumptions on passenger volumes and government support arrangements, and having regard to the risks and uncertainties to which the Group is exposed.

Following these reviews the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the 12-month period from the date on which the financial statements were approved. Accordingly, they continue to adopt a going concern basis of accounting in preparing the consolidated financial statements in this full year report.

Definitions

Unless otherwise stated, all financial figures for the 53 weeks ending 30 March 2024 (the 'year' or 'FY 2024') include the results and financial position of the First Rail business for the year ended 31 March 2024 and the results of all other businesses for the 53 weeks ending 30 March 2024. The figures for the 52 weeks to 25 March 2023 (the 'prior year' or 'FY 2023') include the results and financial position of the First Rail business for the year ended 31 March 2023 and the results and financial position of all other businesses for the 52 weeks to 25 March 2023. Results for the 52 weeks to 29 March 2025 ('FY 2025') will include the results and financial position for First Rail for the year ending 31 March 2025 and the results and financial position of all the other businesses for the 52 weeks ending 29 March 2025.

Financial review continued

'Cont.' or the 'Continuing operations' refer to First Bus, First Rail and Group items.

'Disc.' or the 'Discontinued operations' refer to First Student, First Transit and Greyhound US.

References to 'adjusted operating profit', 'adjusted profit before tax', 'adjusted earnings' and 'adjusted EPS' throughout this document are before the adjusting items as set out in note 4 to the financial statements, and in the case of 'adjusted earnings' and 'adjusted EPS', exclude the impact of IFRS 16 for the Group's management fee-based Rail operations.

'EBITDA' is adjusted operating profit less capital grant amortisation plus depreciation.

The Group's 'EBITDA adjusted for First Rail management fees' is First Bus and First Rail EBITDA from open access and additional services on a pre-IFRS 16 basis, plus First Rail attributable net income from management fee-based operations, minus central costs.

'Adjusted earnings' is the Group's statutory profit for the year attributable to equity holders of the parent, excluding adjusting items as detailed in note 4, and also excluding the impact of IFRS 16 for the Group's management fee-based Rail operations.

'Net debt/(cash)' is the value of Group external borrowings, excluding accrued interest, less cash balances.

'Adjusted net debt/(cash)' excludes ring-fenced cash and IFRS 16 lease liabilities from net debt/(cash).

Principal risks and uncertainties

The Board has conducted a thorough assessment of the principal risks and uncertainties facing the Group, including those that would threaten the successful and timely delivery of its strategic priorities, future financial performance, solvency and liquidity.

In addition to the risk and uncertainties facing the Group as detailed in the Business and Financial Reviews, the underlying principal risks and uncertainties in our operating businesses will be set out in detail in the Group's 2024 Annual Report and Accounts. A number of these risks remain elevated given the wider political uncertainty and related impact on Government transport policies including industrial action. The principal risks facing the Group are:

- Economic conditions
- Geopolitical
- Climate
- Contracted business
- Growth within the sector
- Financial resources
- Safety
- Pension scheme funding
- Legal & Regulatory compliance
- Information security including cyber
- Human resources

Whilst a number of risks facing the business have reduced during the year including an improved inflationary outlook and progress in the First Rail business, industrial relations challenges still persist. Furthermore, a change of UK Government could lead to policy changes resulting in the renationalisation of the National Rail Contracts within the First Rail division as the expiry dates of our various agreements with the DfT are reached.

For a full summary of the Principal Risks and Uncertainties facing the Group, please refer to the Annual Report and Accounts 2024 which will be published on 26 June 2024 on the Group's website: www.firstgroupplc.com/investors/reports-and-presentations.aspx.

Graham Sutherland
Chief Executive Officer
11 June 2024

Ryan Mangold
Chief Financial Officer
11 June 2024

Financial review continued

Case study

Innovative financing to accelerate our decarbonisation journey

As a major UK regional bus operator, we have a key role to play in the decarbonisation of public transport in the UK. However, electrification of bus fleets and infrastructure requires capital investment and collaboration between governments, local authorities and operators.

Decarbonisation is a key part of our strategy and we are pushing ahead and accelerating our investment, underpinned by our strong balance sheet. We have also worked successfully with our local authority partners to apply for government co-funding, while it has remained available.

This year, alongside government co-funding, we have also sought to find other methods of financing to accelerate our electrification journey and help bridge the total cost of ownership gap between diesel and electric buses. With this in mind, we have entered a landmark, strategic decarbonisation joint venture with Hitachi and secured innovative financing with a £150m Green Hire Purchase Finance Facility.



£100m

joint venture with Hitachi

The **£100m joint venture with Hitachi** will finance the purchase of up to 1,000 electric bus batteries to be installed onto our buses. The batteries will be leased from the joint venture to First Bus over an initial eight-year period, and the Group will retain 75% of the residual value of the batteries when taken off each bus at the end of its useful life, with an estimated c.75% battery life remaining.

In addition, Hitachi Zero Carbon's Battery and Charging Management Services (BCMS) will ensure we are using the batteries as efficiently as possible and potentially extending their lives, ultimately lowering costs by improving energy utilisation.

This collaboration gives us greater visibility of our financial commitment on the batteries, extends the life of the battery life as well as enhancing the residual life at the end of the battery bus use, as well as potential benefits from energy and electricity utilisation.

Looking ahead, FirstGroup will also have an option, through a strategic partnership with Hitachi ZeroCarbon to participate in future opportunities, as Hitachi ZeroCarbon provides new, market leading decarbonisation solutions to transport operators worldwide, leveraging our joint capability.

£150m

Green Hire Purchase Finance Facility

The **£150m Green Hire Purchase Finance Facility** provides the funding for electric bus bodies, net of any government co-funding received, and is available for drawdown over three years, on a competitive fixed margin plus basis. Funding under the Facility will be provided in tenors of either seven or ten years depending on the specific requirement at the time for each batch of vehicle bodies to be financed.

The facility has been sized to support the purchase of up to 1,000 electric bus bodies and to broadly match the battery arrangements within the Hitachi joint venture.

